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DEPARTMENT FOR EUR/RUS, EUR/PRA, AND ISN

E.O. 12958: N/A

TAGS: [PARM](#) [TBIO](#) [RS](#)

SUBJECT: SIBBIOPHARM AGREES IN PRINCIPLE TO COMMENCE NDF BW FACILITY  
ELIMINATION PROJECT

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ACCORDINGLY.

1. (SBU) SUMMARY: On February 26-27 a State/Nonproliferation and Disarmament Fund (NDF) delegation met with Sibbiopharm representatives to establish the scope and ground rules for an NDF project to eliminate former biological weapons (BW) building and equipment at Sibbiopharm's Berdsk facility. The sides agreed to move ahead with work on buildings 32 and 34. Sibbiopharm officials said that the firm would need either to retain the production capacity of Building 33 for future commercial needs or to receive assistance to expand capabilities at its current production facility. They offered to provide a preliminary estimate of their needs during a meeting in Washington March 26. End Summary.

#### INTRODUCTION

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2. (SBU) NDF Senior Adviser Smith began by noting that the NDF is prepared to proceed with demolishing Building 32, and eliminating the specialized dual-use equipment in Building 34 and the fermenters in Building 33. Sibbiopharm agreed in principle to green-field Building 32 and eliminate the dual-use equipment in Building 34, but noted that they were not prepared yet to take a decision on Building 33. Smith noted that the NDF believes that it has sufficient funds to complete work on all three buildings and wants, for reasons of cost effectiveness, to reach agreement to commence work on all of them simultaneously.

#### BUILDINGS 32 AND 34

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3. (SBU) Sibbiopharm Executive Director Nadezhda Orlova stated that, while Sibbiopharm is prepared to proceed with work on Buildings 32 and 34, there remain a number of technical problems. Orlova noted that Sibbiopharm wanted no debris to remain at the site after Building 32 is demolished that would hinder or raise the cost of building future infrastructure on the site. She noted that Controlled Demolition, Incorporated (CDI) (the elimination specialists which the NDF intends to hire as prime contractor for this project) would not be familiar with Russian law and regulation. Further, Sibbiopharm insists that the demolition technology employed be environmentally friendly. For Building 34, Orlova required that the non-dual use equipment in the building (i.e. the electricity, water, and sewage) not be affected by the elimination project.

4. (SBU) Smith noted that it would principally be CDI's responsibility to meet local requirements. CDI normally discusses these requirements with all interested parties, including the proposed subcontractors and our international partner (e.g. Sibbiopharm.) He stated that CDI was also responsible for providing the NDF with the lowest cost concomitant with effective work. He stated that the two sides should agree in principle that CDI will have the right to solicit competitive bids from multiple Russian

subcontractors. While Orlova warned that only contractors in the vicinity of Berdsk and Novosibirsk would be cost-effective, the Sibbiopharm reps agreed with this principle. Smith pointed out that any requirements based in Russian law or regulation that would raise project costs would have to be documented.

#### BUILDING 33 (AND BUILDING 36)

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15. (SBU) Orlova noted that Sibbiopharm had not considered Building 33 as an object for elimination under the NDF project. Sibbiopharm currently intended to use Building 33's fermentation capacity for commercial purposes. Orlova noted that Sibbiopharm's sales enjoyed 30-40 percent growth in recent years. Sibbiopharm currently produced its products (enzymes for animal feed and food) using fermentation capacity in Building 36, whose capacity is identical to that of Building 33. (COMMENT: This was the first discussion of Building 36 between Sibbiopharm and the NDF. End Comment.) Sibbiopharm also intended to expand its product line into bioethanol production. Sibbiopharm currently uses about 56-57 percent of Building 36's capacity, but at current rates of expansion will require use of Building 33's capacity in approximately two to three years. Orlova said that Sibbiopharm could agree to destruction of the production capacity of Building 33 only if it received assistance in expanding capacity at Building 36 to meet anticipated needs.

16. (SBU) Smith noted that the NDF did not have the authority to provide Sibbiopharm with additional fermentation capability. Orlova asked whether other State Department resources could address this problem. Smith stated that, if Sibbiopharm developed a proposal outlining their commercial requirements, the NDF would look into whether there is any Department interest in pursuing such a parallel project. Smith reiterated that, for reasons of cost, the U.S. would like to eliminate the equipment in Building 33 simultaneously with

the work done in Buildings 32 and 34. Sibbiopharm requested that CDI provide a detailed description of its proposed destruction methodology prior to its visit as a basis for soliciting bids from Russian firms. She noted that previous discussions between CDI and a proposed Russian firm had foundered because the Russian firm did not understand CDI's proposed destruction method.

#### NEXT STEPS

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17. (SBU) All participants agreed that the NDF will request CDI to come to Russia with the objective of seeking bids from Russian firms for work on Buildings 32, 34, and 33. Recognizing that no decision has been taken on Building 33, CDI will provide two estimates for Building 33; one estimate for the work done as part of a project including Buildings 32 and 34; the second estimate for the work done on Building 33 as a separate project. Sibbiopharm agreed to review its commercial requirements for Building 33, and provide by March 26 a preliminary proposal to the NDF as to how it can address its commercial requirements while going forward with elimination work in 133.

#### PARTICIPANTS

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18. (U) The participant list follows:

##### U.S. Delegation

Raymond Smith, Senior Negotiator, ISN/NDF  
John Conlon, Foreign Affairs Officer, ISN/NDF  
Aaron Fishman, Health Officer, Office of Environment, Science, and Technology, U.S. Embassy to the Russian Federation  
Olga Borisova, Health Specialist, Office of Environment, Science, and Technology, U.S. Embassy to the Russian Federation

##### Sibbiopharm Delegation

Aleksandr Nikolayevich Krichevskiy, General Director  
Nadezhda V. Orlova, Executive Director  
Maksim S. Benevolenskiy, Technical Director

This cable was cleared by the delegation prior to departure.

BURNS